

Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 SS-15 PM-03 SP-02 INR-07 INRE-00 EB-07

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FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO IMMEDIATE

C O N F I D E N T I A L STATE 174230

STADIS//////////

E.O. 11652: GDS

TAGS: CI, EAID

SUBJECT: CHILE -- USE OF PRIOR YEAR FMS CREDIT

REF: SANTIAGO 5099

1. THE FOLLOWING IS THE VEST-MAW MEMO MENTIONED IN REFTEL:

QUOTE: TO: T - UNDER SECRETARY MAW

FROM: PM - GEORGE VEST

SUBJECT: STATUS OF SECURITY ASSISTANCE TO CHILE

QUOTE: PURSUANT TO THE DECISIONS YOU MADE DURING YOUR
MEETING WITH AMBASSADOR POPPER ON JULY 14, THE CHILEAN
SECURITY ASSISTANCE PROGRAM HAS TAKEN THE FOLLOWING SHAPE:

QUOTE: FMS CASH SALES: SALES CONTRACTED PRIOR TO JULY 1,
1974 ARE PROCEEDING AND DELIVERIES ARE BEING MADE. SALES
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CONTRACTED DURING FY 1975 ARE NOT BEING DELIVERED, THOUGH

IMPLEMENTATION OF SOME OF THESE CONTRACTS IS GOING AHEAD; SHORT OF DELIVERY. PRIOR TO THE ENACTMENT OF THE SUSPENSION OF ASSISTANCE TO CHILE LAST DECEMBER, A FEW ITEMS WHICH HAD BEEN CONTRACTED IN EARLY FY 1975 WERE DELIVERED. NO LETTERS OF OFFER HAVE BEEN EXTENDED TO THE GOC SINCE DECEMBER 1974, AND NONE WILL BE EXTENDED IN THE FUTURE UNTIL YOU APPROVE.

QUOTE: FMS CREDIT: THE GOC WAS INFORMED SEVERAL TIMES IN FY 1975 THAT IT COULD USE PRIOR YEAR CREDITS (FY 1974 AND EARLIER) FOR COMMERCIAL PURCHASES. AMBASSADOR POPPER MENTIONED A FIGURE OF DOLS 11 MILLION IN UNUTILIZED PRIOR YEAR CREDIT. DOD INFORMS US THAT THE ACTUAL FIGURE IS DOLS 9.376 MILLION.

QUOTE: CHILE RECEIVED NO FY 1975 FMS CREDIT, DUE TO THE PROVISION BANNING MILITARY ASSISTANCE IN THE FOREIGN ASSISTANCE ACT (FAA) OF 1974. FOR FY 1976, YOU HAVE SENT TO OMB A PROPOSED FMS CREDIT LEVEL OF DOLS 20 MILLION.

QUOTE: SHIP TRANSFERS: CHILE HAS ON LOAN FROM THE USG TWO DESTROYERS AND ONE SUBMARINE, ALL OF WHICH IT HAS ASKED TO PURCHASE. UNTIL YOU APPROVE, WE WILL NOT CONCUR IN SUBMISSION OF A BILL TO CONGRESS, UNDER THE BYRD AMENDMENT, APPROVING TRANSFER OF TITLE TO THE DESTROYERS TO CHILE. THE CONGRESS HAD APPROVED THE SUBMARINE SALE PRIOR TO ENACTMENT OF THE FAA OF 1974, BUT THE CHILE BAN PREVENTED DELIVERY IN FY 1975. WE WILL NOT AUTHORIZE TRANSFER OF TITLE TO THIS SHIP UNTIL YOU APPROVE.

QUOTE: MAP TRAINING: MAP FUNDING CEASED SHORTLY AFTER THE ENACTMENT OF THE FAA OF 1974. SOME OBLIGATIONS WERE MADE AFTER ENACTMENT, UNDER THE "WINDING UP" AUTHORITY PROVIDED IN SECTION 617, FAA. WE WILL NOT AUTHORIZE FY 1976 FUNDING OF MAP TRAINING FOR CHILE UNDER THE CRA UNTIL YOU APPROVE.

QUOTE: COMMERCIAL SALES: AMBASSADOR POPPER INFORMED YOU THAT HE HAD RECEIVED A LIST OF REQUIREMENTS FROM THE CHILEAN ARMY BEFORE DEPARTING FROM CHILE. IN VIEW OF YOUR CONFIDENTIAL

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APPROVAL IN PRINCIPLE (ON JULY 14) OF THE USE OF UNUTILIZED PRIOR YEAR FMS CREDITS FOR CURRENT COMMERCIAL PURCHASES, WE HAVE REVIEWED THIS LIST IN CONSULTATION WITH DOD. THE TABLE ATTACHED INDICATES THE COMMERCIAL AVAILABILITY AND THE APPROXIMATE VALUE OF THE ITEMS ON THE CHILEAN LIST. IN ADDITION, WE HAVE RECEIVED A CHILEAN NAVAL MISSION REQUEST (DATED JULY 11) TO APPLY FY 1974 FMS CREDIT TO A COMMERCIAL PURCHASE OF NAVAL BOILERS. (THIS

REQUEST WAS REFERRED TO YOUR OFFICE INFORMALLY ON JULY 17.)

QUOTE: YOU WILL NOTE THAT SOME OF THE ITEMS ON THE CHILEAN ARMY LIST ARE CONSUMABLES, WHICH WE DO NOT WISH TO FINANCE WITH FMS CREDIT, AND THAT SOME OTHER ITEMS ARE AVAILABLE FROM FMS SOURCES ONLY. SUBTRACTING THESE TWO CLASSES OF ITEMS FROM THE LIST, IT IS APPARENT THAT THE CHILEAN ARMY REQUEST TOGETHER WITH THE CHILEAN NAVAL REQUEST TO APPLY UNUTILIZED FMS CREDIT TO THE COMMERCIAL PURCHASE OF BOILERS, WOULD NOT EXHAUST SUCH PRIOR YEAR CREDITS, WHICH TOTAL DOLS 9.376 MILLION.

QUOTE: CHILEAN SALES REQUESTS

FROM CHILEAN ARMY MEMO OF JUNE 16, 1975:

ITEM	CONSUMABLE?	AVAILABLE COMMERCIALY?	VALUE (\$ MILLIONS)
106MM REC. RIFLES	NO	NO	2.021
106MM MUNITIONS	YES	NO	3.926
7.62 MM MUNITIONS	YES	YES	.493
JEEPS	NO	YES	UNKNOWN
RADIOS, BATTERIES, ETC.	NO	YES, (PROBABLY)	3.201
TELECOMMUNICATIONS			
REPLACEMENTS	NO	YES (PROBABLY)	0.011
PARACHUTE HELMETS	NO	UNKNOWN (SEE MANUFACTURER)	0.003
M-14 RIFLES (MATCH GRADE)	NO	NO (MADE IN USG ARSENAL)	0.010

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FROM CHILEAN NAVAL MISSION LETTER OF JULY 11, 1975:

NAVAL BOILERS	NO	YES	0.420
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THESE WOULD BE THE VALUES OF THESE ITEMS IF SOLD UNDER FMS PROCEDURES. COMMERCIAL SALES PRICES WILL PROBABLY BE SOMEWHAT HIGHER THAN FMS PRICES.

ACTUAL COMMERCIAL SALES PRICE AS PROVIDED BY THE CHILEAN NAVAL MISSION. UNQUOTE. KISSINGER

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